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1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

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COMPTROLLER


(Program/Budget)

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
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COMMANDER-IN-CHIEF, U.S. TRANSPORTATION COMMAND
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTOR, WASHINGTON HEADQUARTERS SERVICES

SUBJECT: FY 2002/2003 Defense Budget Review

This memorandum establishes policy guidance and submission requirements for preparation of material for the FY 2002/2003 Defense budget. Budget guidance is contained in the attachments and is applicable to all appropriations and fund accounts of the Department of Defense (DoD). Provisions of the DoD Financial Management Regulation (DoDFMR), DoD 7000.14-R, Volume 2, with a revision date of June 2000, are applicable for the budget submission, except as modified by the attachments. All budget submissions are due September 29, 2000.

The Office of Management and Budget (OMB) will publish revised budget requirements (OMB Circular No. A-11) by early July. This will be available initially on the world-wide web at: <http://www.whitehouse.gov/OMB/circulars/index.html>. You should ensure compliance with, or as appropriate, request exceptions to its provisions. Chapter 1 of Volume 2 of the DoDFMR addresses submission of exceptions to the provisions of the revised Circular No. A-11. Requests for exception should be provided no later than July 31, 2000. You should note in Attachment 1 a requirement to post unclassified Budget Estimates Submission justification material on a restricted Internet site to be hosted by this office.


Bruce A. Dauer
Deputy Comptroller
(Program/Budget)

Attachments

Table of Contents **Supplementary FY 2002/2003 Budget Guidance**

I.	General Guidance - Budget Estimates Submission (BES).....	1
A.	DoDFMR, Volume 2 Update	1
B.	Budget Due Date.....	1
C.	FY 2000 Estimates.....	1
1.	Automated Budget System.....	1
2.	Appropriation Justification Material/Other Exhibits	1
D.	FY 2001 Estimates.....	1
E.	FY 2002-2007 Estimates.....	2
F.	Fiscal Guidance Track.....	2
G.	Electronic and Paper Copy Submission Requirements - Summary Exhibits.....	2
H.	Machine Readable Input to the OUSD(Comptroller) Automated Budget System	2
I.	OUSD(Comptroller) Automated Budget System Report Availability	2
K.	Procurement Programs Database and Research Development Test and Evaluation (RDT&E) Database.....	2
L.	Internet Submission/Access of Unclassified Budget Justification for the Budget Estimates Submission	3
M.	Budget Justification Material Paper Copy Requirements	3
II.	General Pricing Guidance	4
A.	Pricing Procedures	4
B.	Working Capital Funds (WCFs) Customer Rates	4
1.	FY 2001 Pricing Guidance.....	4
2.	FY 2002/2003 Pricing Guidance.....	4
a.	Balanced Customer Accounts	4
b.	FY 2002/2003 Fund Purchases Outside of Component.....	4
(1)	Fuel Rates.....	4
(2)	United States Transportation Command	4
(3)	Naval Shipyard Pearl Harbor Pilot.....	4
(4)	Distribution Depots Pricing.....	5
(5)	Defense Security Service (DSS).....	5
C.	Foreign Currency Exchange Rates	6
D.	Pricing Adjustments.....	6
E.	Pay Raises.....	6
F.	Outlay and Obligation Rates.....	7
G.	National Foreign Intelligence Programs (NFIP)	7
H.	Transportation Subsidies.....	7
III.	Additional Budget Submissions (ABSs)	7
IV.	Additional Guidance	7
A.	Military Personnel.....	7

1. General	7
2. Automated Submissions.....	7
3. Education Benefits Fund.....	8
4. Clothing Rates.....	8
5. Cadet Ration Rates.....	8
6. Basic Allowance for Housing (BAH) (Domestic).....	8
7. Subsistence.....	8
8. Retired Pay Accrual Normal Cost Percentage (NCP)	9
9. Voluntary Separation Incentive (VSI)/Special Separation Benefit (SSB) and Temporary Early Retirement Authority (TERA)	9
10. National Foreign Intelligence Program (NFIP)	10
11. Health Professions Scholarship and Financial Assistance Programs (AFHPSP/FAP).....	10
12. FY 2001 Reprogrammings	10
B. Operation and Maintenance.....	10
1. General	10
2. Automated Submissions.....	10
3. Civilian Personnel Data.....	11
4. O-1 Exhibit.....	11
5. OP-5 Requirements	11
6. PB-31D Exhibit.....	13
7. Training and Recruiting.....	13
8. PB-24 Exhibit (Professional Military Education)	13
9. Funding Support for the Defense Commissary Agency (DeCA)	13
10. Defense Health Program (DHP).....	13
11. Environmental Restoration.....	13
12. Drug Interdiction and Counter-drug Activities	14
13. Contingency Operations	14
14. Overseas Humanitarian, Disaster and Civic Aid (OHDACA) Appropriation	14
15. Real Property Maintenance (RPM)	14
16. Oman Access Agreement	14
C. Revolving Funds.....	15
1. General	15
2. Advance Billing.....	15
3. Revolving Fund Accounts Rate Guidance	15
a. Rates, Cost Recovery, and Accumulated Operating Result (AOR)	15
b. Military Personnel Assigned to Defense-Wide Working Capital Fund Activity (DCWF) Groups.....	15
c. Military Personnel Pricing.....	15
d. Supply Management Price Development.....	15
e. Cash Management	16
f. Navy Shipyards Rate Development.....	16
g. Defense Commissary Agency (DeCA).....	16
h. Conventional Ammunition Working Capital Fund (CAWCF).....	16
i. Defense Finance and Accounting Service (DFAS).....	16
j. Working Capital Fund (WCF) Budget Exhibits.....	17

D. Investment.....	17
1. General	17
2. Procurement and Research, Development, Test, and Evaluation (RDT&E) Documentation	17
3. Multiyear Procurement (MYP)	17
4. Procurement Program for National Guard and Reserve Equipment (NG&RE)....	17
5. Research and Development (R&D) Crosscutting Exhibits	17
6. Shipbuilding and Conversion, Navy (SCN) and National Defense Sealift Fund (NDSF)	17
7. Tactical Intelligence and Reconnaissance Activities (TIARA) and Joint Military Intelligence Program (JMIP)	18
E. Military Construction/Family Housing/Base Realignment and Closure	18
1. General	18
2. Military Construction/Family Housing	18
3. Family Housing Operation and Maintenance	19
4. Base Realignment and Closure (BRAC)	19
F. Tactical Intelligence and Related Activities (TIARA) and Joint Military Intelligence Program (JMIP).....	20
G. Other Requirements.....	20
1. Information Technology (IT).....	20
2. Civilian Personnel	20
3. Functional Transfers.....	21
4. Initial Automated Submission of Defense Accounts (TI 97) by Directorates and Components.....	21
5. Combating Terrorism	21
6. Contract Services.....	21
7. Competitive and Strategies Sourcing	22
8. Proposed Legislation (Personnel Related)	23
9. Proposed Legislation (Acquisition Related).....	23
10. International Travel	23
11. Major Department of Defense Headquarters Activities (formerly Management Headquarters)	23
12. Acquisition Workforce	23
13. Small Disadvantaged Businesses (SDB) Certification Program	24
14. Financial Management Activities (Exhibit 52)	24
15. Declassification of Records.....	24
16. Rental Payments for Space and Land.....	24

Supplementary FY 2002/2003 Budget Guidance

I. General Guidance - Budget Estimates Submission (BES)

A. Department of Defense Financial Management Regulation (DoDFMR), Volume 2 Update. Volume 2 is currently being updated with a publication date of June 2000. All references to exhibits are to the updated volume. If the update is not available on the Internet, contact the appropriate OUSD(Comptroller) Directorate (for Chapters 16 and 18, contact the Office of the Assistant Secretary of Defense (Command, Control, Communications & Intelligence) (OASD(C³I)) Resource Management Directorate) for an electronic copy of the chapter desired.

B. Budget Due Date. Budget estimates and all supporting documentation are due to Office of the Secretary of Defense (OSD)/Office of Management and Budget (OMB) on Friday, September 29, 2000. All estimates should reflect the impact of actual experience, fact-of-life changes, and contract awards.

C. Fiscal Year (FY) 2000 Estimates.

1. Automated Budget System. In order to simplify the automated submission and subsequent update, amounts for the prior year (FY 2000) in the automated budget system will be automatically "rolled over" by the OUSD (Comptroller) from the FY 2000 column of the FY 2001 President's Budget submission. **Therefore, no electronic data is required to be submitted by the Components for the FY 2000 column of the FY 2002/2003 BES.** Actual data may be required at a later date for some portions of the automated budget system.

In addition, the PB-1 budget exhibits will also reflect the "roll over" of the FY 2000 column.

2. Appropriation Justification Material/Other Exhibits. To allow appropriate review of the funding profile of budget requirements, **all other exhibits and appropriation justification material will reflect the best estimate available in FY 2000 to include reprogrammings and supplemental appropriations.** Actual data may be required at a later date.

D. FY 2001 Estimates. If an appropriation conference agreement is reached on the FY 2001 DoD bill or the Military Construction bill by September 9, 2000, the conference position will be reflected in the FY 2001 column of the budget submission. Otherwise the FY 2001 appropriation totals will be consistent with the FY 2001 President's Budget submitted in February 2000. However, the Components may reflect anticipated reprogrammings/transfers in their FY 2001 estimates provided they remain within the fiscal control for their Component, submit the PB-3 exhibit format contained in the updated Volume 2 of the DoDFMR, and submit the required adjustments including financing adjustments to update the database for the OUSD(Comptroller) automated budget system for any reprogramming/transfer between appropriations/accounts. To the extent that final appropriation bills differ from the BES, the Components may be required to provide outyear offsets and adjustments to reflect the final outcome of appropriation action.

E. **FY 2002-2007 Estimates.** The FY 2002 budget estimates and the estimates for FY 2003 through FY 2007 will be submitted consistent with the Service/Defense Agency totals, including the force levels, program direction, and funding levels as set forth in the Defense Planning Guidance and Fiscal Guidance as modified by Functional Transfers in accordance with paragraph IV. G.3. Program Decision Memorandum (PDM) I direction, if available, should be incorporated in the Component budget submission. OUSD(Comptroller) will incorporate PDM II, when issued, into the automated budget system.

F. **Fiscal Guidance Track.** In order to track the amount of fiscal guidance issued to each Component to the amount reported in the BES, budget exhibit PB-1A, is required as shown in Chapter 1, Volume 2, of the DoDFMR. Ensure a copy of PB-1A is submitted to the Program and Financial Control Directorate, Room 3B872, in conjunction with the automated submission.

G. **Electronic and Paper Copy Submission Requirements - Summary Exhibits.** Effective with the FY 2002/2003 BES, paper copies of budget data by account (PB-2 and PB-2A) have been eliminated. OUSD(Comptroller) will use the dollar amounts submitted on paper exhibits PB-1, PB-1A, and PB-4 to verify Component topline controls. Components are now required to certify the accuracy of account data, funding and military/civilian strength, in the OUSD(Comptroller) electronic systems or reconcile any differences between that data and paper copies of respective exhibits within 3-business days of the BES. If differences remain after this time frame, the lower of the amounts will be used by OUSD(Comptroller) as the final Component submission.

H. **Machine Readable Input to the OUSD(Comptroller) Automated Budget System.** Machine readable input to the OUSD(Comptroller) automated budget system is required for FY 2001 through FY 2007. Also, all Components will provide paper copy submissions as set forth in this guidance and in Volume 2 of the DoDFMR. Extreme care must be exercised to ensure that the machine-readable data and paper copy exhibits agree in content. As indicated in paragraph G., above, Components must certify the accuracy of the funding and manpower data or reconcile differences within 3-business days. A meeting is scheduled with the Military Departments/Defense Agencies for Wednesday, August 16, 2000, to discuss automated submission requirements and this year's OMB Circular A-11 changes. Components will be advised by separate memorandum of meeting time and place.

I. **OUSD(Comptroller) Automated Budget System (ABS) Report Availability.** Reports will be available only on the SIPRNET. Paper copies will not be distributed.

J. **Offsetting Receipt Accounts.** Instructions for Component submission of subaccount amounts for offsetting receipt accounts for FY 2001 through FY 2007 will be provided by separate memorandum when FY 2000 Treasury actuals are available.

K. **Procurement Programs Database and Research Development Test and Evaluation (RDT&E) Database.** In conjunction with the Deputy Comptroller (Program/Budget)'s responsibility for updating the Procurement Programs and RDT&E Programs databases, separate guidance will be provided to Components for updating these databases.

L. Internet Submission/Access of Unclassified Budget Justification for the BES.
Chapter 1, Volume 2 of the DoDFMR, as modified by annual guidance, requires that unclassified budget justification material be posted on an access controlled Internet Web site by all submitting organizations in lieu of the wide distribution of paper copies. By a May 19, 2000, OUSD(Comptroller) memorandum, subject: FY 2002 Defense Budget Review – Internet Submission, submitting Components were requested to provide a point of contact (POC) for this effort. Additional guidance for this effort will be provided to the Component POCs over the course of the summer.

Classified Material will continue to be distributed in paper form in accordance with the instructions in the DoDFMR, Volume 2.

M. Budget Justification Material Paper Copy Requirements. While all unclassified budget justification material will be posted to an OUSD(Comptroller) Internet Web page and/or provided in some other electronic format, 2 paper copies of this unclassified justification material, not already required to be provided in paper form, must also be provided to the OUSD(Comptroller) primary reviewing Directorate. Delivery points for the budget titles/appropriations/exhibits are as follows:

<u>Title/Appropriation/Exhibit</u>	<u>OUSD(Comptroller) Directorate</u>
Military Personnel Title Appropriations	Operations and Personnel Directorate
Operation and Maintenance (O&M) Title Appropriations	Operations and Personnel Directorate
<i>(with the exception of Real Property Maintenance)</i>	
Real Property Maintenance	Military Construction Directorate
Procurement Title Appropriations	Investment Directorate
Research and Development Title Appropriations	Investment Directorate
Military Construction/Family Housing Title Appropriations	Military Construction Directorate
Base Realignment and Closure (BRAC)	Military Construction Directorate
Revolving Funds	Revolving Funds Directorate
Financial Management Activities (Ex. 52 only)	Business Policy Directorate
<u>OUSD(Comptroller) Directorate</u>	<u>Pentagon Delivery Points/Phone #</u>
Operations and Personnel Directorate	Rm. 3D868 703 697-9317, ext. 12
Military Construction Directorate	Rm. 3D841 703 697-6359
Investment Directorate	Rm. 4B916 703 697-2235
Revolving Funds Directorate	Rm. 3B866 703 697-1880
Business Policy Directorate	Rm. 3E843 703 604-6350

II. General Pricing Guidance

A. Pricing Procedures. Pricing procedures will be fully consistent with guidance in the OMB Circular No. A-11. Inflation and spendout rates for use in developing the FY 2002/2003 Budget submission will be the indices for those years approved in the FY 2001 President's Budget. The underlying inflation rates to be used in pricing the budget submission are contained in **Attachment 2**. The spendout rates that are contained on pages 2 and 3 of **Attachment 2** should be used in projecting future costs for the nonpay and nonfuel portion of each account. These rates differ from those used to forecast outlay estimates from budget authority (BA), in that they do not allow for lapses in the accounts and they only reflect the spending profile for purchases, excluding fuel. The rates used to estimate outlays from BA levels reflect spending patterns of the total account, including pay and fuel. The attached spendout rates are only to be used in developing the BA account deflators for nonpay and nonfuel purchases and not to estimate outlays. The Program Objective Memorandum, Preparation Instructions contains additional information on this subject in the Section One, Part V, Economic Assumptions. It can be found at the following Internet address:
<http://www.pae.osd.mil/apps/>

B. Working Capital Funds (WCF). The following guidance is provided for business areas to prepare the FY 2002/2003 budget estimates and for customers who plan to purchase goods and services from WCF and DeCA.

1. FY 2001 Pricing Guidance. All FY 2001 purchases made by customers of any WCF activity group are to be priced in accordance with the stabilized rates approved in the FY 2001 President's Budget except as discussed below. Prices for Depot Maintenance and Central Design activities are to be consistent with the Quarterly Rate Policy.

2. FY 2002/2003 Pricing Guidance.

a. Balanced Customer Accounts. Components shall ensure that all activity group proposed rates and customer appropriated accounts under their purview are in balance at the time of the budget submission.

b. FY 2002/2003 Fund Purchases Outside of Component. For purchases from activity groups that are outside of the Component, customers (both direct appropriation customers and other activity group customers) will use the rates equal to those in the FY 2001 President's Budget, plus inflation for FY 2002/2003 except as noted below.

(1) Fuel Rates. Fuel rates are provided in **Attachment 3**.

(2) United States Transportation Command (USTRANSCOM). The FY 2001 budget review (as established by PBDs 410 and 426) determined that the Air Force FY 2001 readiness subsidy to USTRANSCOM is \$429.8 million. The FY 2002 subsidy submitted by the Air Force should agree with the estimate developed by USTRANSCOM.

(3) Naval Shipyard Pearl Harbor Pilot. In FY 2002 if the Navy converts the direct funded pilot program to a permanent operation, the outstanding Pearl Harbor

Naval Shipyard bills to exit the WCF are to be financed by the Navy in its submission. The outstanding bills include, but are not limited to, the outstanding contract authority for the capital purchases for Pearl Harbor Naval Shipyard.

(4) Distribution Depots Pricing. The Defense Logistics Agency (DLA) Distribution Depot activity group prices for customer use in budget preparation are shown in **Attachment 4**. Consistent with activity based costing techniques, in FY 2002 DLA will implement the Net Landed Cost pricing mechanism at Distribution Depots to provide customers with greater visibility of their Distribution charges. Although the cost impact of this change is estimated to be minimal, any required rate and funding adjustments will be accomplished during the budget review.

(5) Defense Security Service (DSS). As directed by the Deputy Secretary of Defense, DSS and the Office of Personnel Management (OPM) will work together to clear the backlog of Personnel Security Investigations for Component military and civilian personnel. Funding for the work load assigned to OPM is over and above amounts previously included in the FY 2001 budget. FY 2001 work load assigned to DSS will be funded at the level of the FY 2001 President's Budget. FY 2001 amounts for OPM and initial estimates for FY 2002 are shown below. Specific execution guidance will be provided under separate cover. Components are directed to include in their BES the total of the additional FY 2001 funding for OPM plus the amount already included in the President's Budget. In FY 2002, Components are to reflect the FY 2002 funding estimate for OPM and DSS.

	(\$ in Millions)		
	OPM FY 2001	OPM FY 2002	
In President's Budget			
Army	\$12.0	\$12.0	
Navy	12.0	12.0	
Air Force	<u>10.0</u>	<u>11.0</u>	
Subtotal	34.0	35.0	
Additional Requirement	OPM FY 2001	OPM FY 2002	DSS FY 2002
Army	\$23.266	\$23.630	\$58.630
Navy	29.609	29.115	53.478
Air Force	22.034	17.840	45.505
Defense Agencies			
Joint Staff	.214	.246	.000
DLA	.972	.798	.139
DIA	2.918	2.964	.430
NSA	13.657	13.875	5.031
WHS	3.301	2.116	.000
DFAS	1.342	1.364	.020
DSS	.000	.000	1.182
DCAA	.803	.816	.016
DISA	1.952	1.905	.000

Additional Requirement	OPM FY 2001	OPM FY 2002	DSS FY 2002
USHS	.031	.034	.000
DTRA	.449	.416	.000
DeCA	.067	.048	.000
NIMA	2.489	2.880	.000
OIG	.146	.284	.132
SOCOM	.000	.000	.361
Other (DSS)	.000	.000	17.209
Industrial (DSS)	.000	.000	78.044
Subtotal	\$103.250	\$98.331	\$260.177
Total OPM	\$137.250	\$133.331	

C. Foreign Currency Exchange Rates. Foreign currency exchange rates for FY 2001 and FY 2002-FY 2007 are included at **Attachment 5**. These rates and other guidance in this section, however, apply only to those programs currently authorized transfers into and out of the Foreign Currency Fluctuations, Defense (FCF, D) or the Foreign Currency Fluctuations, Construction, Defense (FCF,C, D) appropriations. All other programs should use rates based on most recent experience. For FY 2001, the foreign currency exchange rates are those contained in the President's Budget submitted in February 2000. If the Congress completes its markup of the FY 2001 request by September 9, 2000, OUSD(Comptroller) will publish any necessary rate revisions resulting from the markup for use in the Components' budget submissions.

Beginning in FY 2002, no rates are provided for the national currencies of the countries that are members of the European Economic and Monetary Union. The national currencies of these countries all expire on January 1, 2002, and Components are to price their foreign currency purchases for these countries beginning in FY 2002 using the Euro only. For the purposes of this guidance, the affected countries/currencies are as follows: Belgium/franc; France/franc; Germany/deutsche mark; Greece/drachma; Italy/lira; Netherlands/guilder; Portugal/escudo; and Spain/peseta.

Every Component participating in the FCF,D or the FCF,C,D appropriations is required to submit a PB-18 Exhibit. Specific instructions for the PB-18 Exhibit are included in Chapter 19 of Volume 2 of the DoDFMR.

D. Pricing Adjustments. Subsequent changes necessary to reflect revised Consumer Price Index rates, fuel prices, economic assumptions, etc., will be made during the fall budget review.

E. Pay Raises. Pay raises in FY 2001 through FY 2007, including each year's annualization estimate, are to be reflected in the appropriations that will bear the cost. The pay raise rates will continue to be those projected by the Administration in the FY 2001 President's Budget. Subsequent adjustments necessary to reflect any rate changes for FY 2001-2007 will be made during the budget review. Pay raise assumptions are contained as in **Attachment 2**.

F. **Outlay and Obligation Rates.** Rates will be those used in the FY 2001 President's Budget. Copies have been provided separately to your staffs. The OUSD(Comptroller) automated budget system will generate outlay and obligation amounts for each account for FY 2001 through FY 2007

G. **National Foreign Intelligence Programs (NFIP).** The Components will price the NFIP portions of their request consistent with the guidance provided herein. Any discrepancies between the revised estimates and the fiscal guidance will be covered by a balancing plus or minus wedge that will be distributed by the Community Management Staff at a later date. Additional guidance concerning fact-of-life changes and the Intelligence PDM will be provided under separate cover at a later date.

H. **Transportation Subsidies.** Executive Order 13150 on Federal Workforce Transportation, dated April 21, 2000, requires that by no later than October 1, 2000, Federal agencies shall implement a transit pass fringe benefit program for qualified federal employees in the National Capital Region (NCR). The Components must budget for the costs of this program and work with Washington Headquarters Services (WHS) to establish procedures to facilitate the required reimbursable orders to procure this service. Consistent with OMB Circular A-11, agencies are to report the costs of this program in Object Classes 12.1, Civilian Personnel Benefits, and 12.2, Military Personnel Benefits. WHS has been designated to run this effort within-NCR transit pass program for DoD and has been working closely with the Department of Transportation to ensure that costs will be identifiable to the major command level.

III. **ABS.**

Volume 2 of the DoDFMR permits ABSs where warranted by specific changes in circumstances of an emergency nature. All ABSs will be submitted in accordance with Volume 2 by October 9, 2000.

IV. **Additional Guidance**

A. **Military Personnel.**

1. **General.** Chapter 2, Volume 2A, of the DoDFMR includes applicable instructions and exhibits for preparation of justification material required for the Military Personnel appropriations. In addition to the exhibits listed in paragraphs 020602 and 020603, Components should consult Chapter 19, Special Analysis of Volume 2 of the DoDFMR for additional justification material requirements. Years covered by the BES will include FY 2000 through FY 2003 on all exhibits; however, explanations are not required for changes from FY 2002 to FY 2003. Any exhibits that require outyear data to be displayed will include data for FY 2004 through FY 2007.

2. **Automated Submissions:** The Services (to include Active, Reserve and Guard) will be required to submit Military Personnel data on the new automated web-based program known as Operations and Personnel System (OPS). This program is currently "under development" but will be available for the BES. Further guidance regarding training dates for this new automated system will be forthcoming (POC: Jim Laughlin, (703) 697-3101, ext. 33).

3. Education Benefits Fund. Per capita rates and amortization payment amounts to be used in BES will be issued after the Board of Actuaries meets in August 2000.

4. Clothing Rates. Estimates should reflect full funding of initial and replacement clothing allowances requirements. For FY 2001, use the rates submitted to OUSD(Personnel and Readiness) (OUSD(P&R)) to meet the July 1, 2000, clothing bag rate requirement in DoDI 1338.18, "Armed Forces Clothing Monetary Allowance Procedures." The FY 2001 rate, with nonpay inflation, should be the basis for the FY 2002/2003 budget estimates. The Services are reminded that "upfront" resources must be provided to cover the costs associated with any new item(s) projected for inclusion in the clothing bag. These costs should be separately identified in the clothing allowance budget exhibits.

5. Cadet Ration Rates. The following daily reimbursement rates for cadet rations are to be used:

<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
\$5.35	\$5.45	\$5.55	\$5.65

6. Basic Allowance for Housing (BAH) (Domestic). Subsequent to the lock-up of the database supporting the FY 2001 President's Budget request, the Secretary of Defense decided to make payments to members at the higher of either the new transition rates or at the BAH rates in effect on December 31, 1999. Therefore, in order to reflect properly the Secretary's decision, the Services must include these higher costs in their budget estimates throughout the Future Year Defense Plan (FYDP). Additionally, consistent with the Deputy Secretary's decision on PBD 716 BAH - Domestic, dated December 17, 1999, the Services are reminded to use the following projected annual rate increases for their updated BAH program: Army, 0 percent; Navy, 7.5 percent; Marine Corps, 1.4 percent; and Air Force, 2.2 percent. Additionally, consistent with the Deputy Secretary's decision on PBD 716C (dated December 22, 1999), the Services must fund the continued costs of reducing "out-of-pocket" expenses. For FY 2001, "out-of-pocket" expenses should be no more than 15 percent, for FY 2002, no more than 11.3 percent, for FY 2003, no more than 7.5 percent, for FY 2004, no more than 3.5 percent, and for FY 2005 and beyond, 0 percent. The Services are advised that the MP-2 exhibit has been revised to require BAH data for FY 2000 through FY 2007.

7. Subsistence. In FY 1998, the Department proposed and the Congress enacted reform in the Basic Allowance for Subsistence (BAS), linking BAS to the Department of Agriculture (DoA) food plan indices. Annual increases in the regular BAS are limited to 1 percent until such time that the annual BAS increase equals the Department of Agriculture projected food plan costs. The OUSD(P&R) currently projects that the modest annual increases projected for the DoA food plan costs will mean that BAS will continue to exceed the DoA food plan until FY 2005. The Basic Daily Food Allowance (BDFA) and Partial Rate is consistent with the DoA food plan indices. Therefore, BAS shall continue to be inflated by 1 percent through FY 2005, as required during this transition, and the Partial rate should be increased by the expected rate of inflation. Accordingly, the enlisted Full and Partial BAS category should reflect the following rates:

<u>Year</u>	<u>BDFA Avg Rate</u>	<u>Partial Rate</u>	<u>BDFA & Partial Rate</u>	<u>Full BAS</u>
FY 2000*	\$2,342.40	\$309.26	\$2,651.66	\$2,766.92
FY 2001	\$2,409.00	\$296.60	\$2,705.60	\$2,788.54
FY 2002	\$2,445.50	\$302.92	\$2,748.42	\$2,817.74
FY 2003	\$2,482.00	\$320.25	\$2,802.25	\$2,844.21
FY 2004*	\$2,543.70	\$328.48	\$2,872.18	\$2,880.38
FY 2005	\$2,591.50	\$328.50	\$2,920.00	\$2,909.88
FY 2006	\$2,646.25	\$331.23	\$2,977.48	\$2,963.68
FY 2007	\$2,701.00	\$338.54	\$3,039.54	\$3,024.81

* Leap Year

8. Retired Pay Accrual Normal Cost Percentage (NCP). The following NCP should be used for computing retired pay accrual amounts:

	<u>Full-Time</u>	<u>Part-Time</u>
FY 2000	31.8	9.8
FY 2001	29.6	14.1
FY 2002	29.5	14.0
FY 2003	29.4	14.0
FY 2004	29.3	14.0
FY 2005	29.2	14.0
FY 2006	29.1	14.0
FY 2007	29.1	14.0

9. Voluntary Separation Incentive (VSI)/Special Separation Benefit (SSB) and Temporary Early Retirement Authority (TERA). It is DoD policy that all VSI/SSB and TERA programs must be fully funded for all new recipients.

Estimates for VSI costs must include the following amounts in each year to cover the unfunded liability for those members accepting VSI benefits prior to January 1, 1993:

	<u>(Dollars in Millions)</u>		
	<u>FY 2000</u>	<u>FY 2001*</u>	<u>FY 2002-07</u>
<u>Active</u>	<u>86.4</u>	<u>23.3</u>	<u>86.4</u>
Army	36.8	9.9	36.8
Navy	4.4	1.2	4.4
Marine Corps	1.3	.4	1.3
Air Force	43.9	11.8	43.9

* Since sufficient resources are available to meet the VSI requirement, the DoD Board of actuaries determined that the Department's amortization payment in FY 2001 could be reduced.

The FY 1993 National Defense Authorization Act requires the Services to fund all early retirement payments (TERA program) up front in the Military Personnel appropriations to cover the entire initial period. The initial period is defined as that period equal to the difference between 20 years and the number of years completed by the member.

10. National Foreign Intelligence Program (NFIP). Military Personnel program costs for NFIP will be developed in accordance with the practices and procedures used for the President's Budget. When developing NFIP Military Personnel costs for BES, the Components will apply the average annual military pay rates (including Permanent Change of Station) published in Section 1, Part II, Table 9, of the FY 2001 President's Budget FYDP. These costs must be accommodated within the total NFIP controls.

11. Health Professions Scholarship and Financial Assistance Programs (AFHPSP/FAP). Effective July 1, 2000, the monthly stipend for F. Edward Hebert AFHPSP and FAP participants will increase from \$973 to \$1,020 per month and the annual grant for FAP participants will increase from \$20,591 to \$21,580. These amounts should be inflated consistent with the increase in the rate of basic pay for members of the Uniformed Services.

12. FY 2001 Reprogrammings. DoD Components should reflect in their justification material all anticipated reprogrammings that need to be approved during the budget review for inclusion in the FY 2002 President's Budget submission to the Congress. These anticipated reprogrammings should be identified specifically in the audit trail that tracks all changes from the FY 2001 President's Budget request to the current estimate for FY 2001. Any reprogrammings that would require the use of general transfer authority (i.e., transfers into/out of the appropriation) should be clearly identified. The total for each appropriation in the OUSD(Comptroller) automated budget system will be consistent with the guidance included in paragraph I. D. of this attachment. For any anticipated reprogrammings/transfers that will require the use of general transfer authority, each Component is required to submit the Exhibit PB-3 and to include the necessary adjustments including financing adjustments in their update to the OUSD(Comptroller) database.

B. O&M.

1. General. Chapter 3, Volume 2A, of the DoDFMR includes applicable instructions and exhibits for preparation of justification material required for the Operation & Maintenance appropriations. In addition to the exhibits listed in paragraph 030201, Components should consult the other chapters in the DoDFMR for additional justification material requirements including Chapter 8, Real Property Maintenance/Minor Construction, and Chapter 19, Special Analysis. Years covered by the BES will include FY 2000 through FY 2003 on all exhibits; however, explanations are not required for changes from FY 2002 to FY 2003. Any exhibits that require outyear data to be displayed will include data for FY 2004 through FY 2007.

2. Automated Submissions.

a. Automated Submissions are required for the following exhibits:

OP-8 Civilian Personnel Costs (All appropriations, including the Defense WCFs)
(POC: Cathy Reilly, (703) 697-9317, ext. 31)

OP-32 Summary of Price and Program Growth
(POC: Robert Rodriguez, (703) 697-9317, ext. 25)

b. The new automated web-based program known as OPS will be used to submit data for the OP-32 and the OP-8 requirement. This program is currently "under development" but will be available for the BES. Further guidance regarding training dates for this new automated system will be forthcoming.

c. These automated budget exhibits are due to the Directorate for Operations and Personnel, Pentagon, Room 3D868, on September 29th, with the rest of the justification material for the budget estimates. A paper copy exhibit must accompany the automated submission. In accordance with the DoDFMR, Volume 2A, Chapter 3, Section 030201 G.6., the reports generated by the software must match the submitted exhibits. They must also be consistent with the data submitted in the electronic OUSD(Comptroller) automated budget system. As indicated in paragraph I.G., above, Components must certify the accuracy of the data (dollars and civilian Full Time Equivalents (FTE)) or reconcile amounts within 3-business days. If left unreconciled, the lower of the two amounts will be used as the Component submission.

Components are reminded that the OP-32 exhibit is required for all O&M appropriations as listed in DoDFMR, Volume 2A, Chapter 3, Section 030201 G.2.

3. Civilian Personnel Data. See paragraph IV.G.2. of this attachment for additional guidance.

4. O-1 Exhibit. All O&M Components except Defense Agencies must submit a hard copy O-1 Exhibit at the subactivity group level with activity group, budget activity, and appropriation totals in accordance with instructions contained in Chapter 3 of Volume 2 of the DoDFMR. Services should display separate O-1 line items for Commissary Operations and North Atlantic Treaty Organization Enlargement, as necessary. For the FY 2002/2003 BES, the O-1 Exhibit will include data for FY 2000 through FY 2007. All O&M Components (except Defense Agencies and Defense-wide Components) are also required to submit an electronic O-1 Exhibit using the format provided in the DoDFMR, Volume 2A, Chapter 3, Section 030402. All diskettes should be in an Excel format, match the hard copy justification material, and should be submitted to Robin Farley, Operations and Personnel Directorate, Pentagon, Room 3D868, (703) 697-3101x41, e-mail: farleyr@osd.pentagon.mil. The hard copy and automated format subactivity detail are due on or before September 29, 2000.

5. OP-5 Requirements.

a. Detailed instructions for preparation of the OP-5 exhibit are contained in Chapter 3 of Volume 2 of the DoDFMR. Components must consult the latest version of the DoDFMR (June 2000) since significant changes were made to the instructions for the OP-5 exhibit. Details for individual price changes and program increase/decreases must be sufficiently narrated.

b. For FY 2000, the "Actuals" column in Section IIIA will include the FY 2000 Appropriations Act (P.L. 106-79); the FY 2000 Consolidated Appropriations Act (P.L. 106-113) and other supplemental appropriations enacted as of September 9, 2000; and approved reprogramming and transfer actions.

c. For FY 2001, the "Request" column will reflect the FY 2001 President's Budget. Absent an Appropriations Act before September 9, 2000, the "Appropriation" column will reflect the FY 2001 President's Budget request. The "Current Estimate" column for FY 2001 should include all known fact-of-life changes, particularly those fact-of-life changes that will be reflected in the congressionally required Rebaselining Report. Additionally, the OP-5 should reflect any anticipated FY 2001 reprogrammings/transfers that need to be approved during the budget review for inclusion in the FY 2002 President's Budget submission to the Congress. These anticipated reprogrammings should be identified specifically in the audit trail that tracks all changes from the FY 2001 President's Budget request to the current estimate for FY 2001. Any reprogrammings that would require the use of general transfer authority (i.e., transfers into/out of the appropriation) should be clearly identified. The total for each appropriation in the OUSD(Comptroller) automated budget system will be consistent with the guidance included in paragraph I. C. of this attachment. For any anticipated reprogrammings/transfers that will require the use of general transfer authority, each Component is required to submit Exhibit PB-3 and to include the necessary adjustments including financing adjustments in their update to the OUSD(Comptroller) automated budget system database.

d. Section III.C, Reconciliation of Increases and Decreases. The Components are reminded that Section C should explain succinctly and thoroughly the price and program changes. Explanation of changes from FY 2002 (BY1) to FY 2003 (BY2) are not required.

e. Section IV, Performance Criteria and Evaluation. The Performance Criteria and Evaluation Summary (OP-5, Part IV) must provide supporting detail sufficient to demonstrate how the resources budgeted for each subactivity group contributes to the Department's mission. The goal is to display performance criteria of *each* subactivity group and for the criteria to justify the budget request. The BES should show progress toward better performance criteria. Where applicable, this performance criteria must be consistent with the performance measurements included in Appendix I (Government Performance and Results Act Performance Plan) of the Secretary of Defense annual report.

f. As required with the justification material submission provided to the Congress, the Components should submit with their OP-5 submission an introductory statement for the total appropriation. The format for the Exhibit PBA-19 can be used.

g. Each Component should submit summary personnel data for all categories at the appropriation level using the Exhibit PB-31R.

h. The Defense Agencies and Defense-wide Components are reminded to submit the OP-5 at the lowest level of their budget structure. The Services will submit the OP-5 Exhibit at the subactivity group level.

6. PB-31D Exhibit. Each of the Components will submit a PB-31D Exhibit (Summary of Funding Increases and Decreases) along with the rest of the required justification material for the BES. The specific format is provided in Chapter 3 of the DoDFMR, Volume 2.

7. Training and Recruiting. All Components (excluding DoD Dependents Education) must separately identify all resources budgeted to support schools in Budget Activity 3 (Training and Recruiting). These costs must not be included Budget Activity 4 (Administration and Servicewide Activities).

8. PB-24 Exhibit (Professional Military Education). The Components are required to submit a PB-24 Exhibit along with the rest of their justification material for the FY 2001 BES. The format for the PB-24 Exhibit can be found in the DoDFMR, Volume 2, Chapter 19.

9. Funding Support for the Defense Commissary Agency (DeCA).

a. Appropriated fund support for FY 2002/2003 should continue to be provided by the Components as reflected in the FY 2001 President's Budget.

b. Appropriated fund support to DeCA is to be included as part of the OP-34 (Appropriated/Nonappropriated Fund Support to Morale, Welfare and Recreation Activities) in Category D.

10. Defense Health Program (DHP).

a. The Assistant Secretary of Defense (Health Affairs) (ASD(HA)) is responsible for preparing and submitting program and budget review requirements related to the DHP. The Military Components should comply with the submission requirements and data requests established by the ASD(HA) for data related to the DHP.

b. Exhibits PB-11, PB-11a, and PB-11b will be submitted for the DHP as a whole and for the Army, Navy and Air Force by the ASD(HA).

c. For all updates of the OUSD(Comptroller) automated budget system database, DoD Components must reconcile all DHP personnel data with, and submit all proposed military and civilian medical personnel changes through the TMA(CFO), (703) 681-7888.

11. Environmental Restoration. The Military Departments and applicable Defense-wide Components shall incorporate separate narrative justification material for their respective programs and Environmental Restoration Exhibits (Env-30a-30e) in their O&M justification books. The Deputy Under Secretary of Defense (Environmental Security) (DUSD(ES)) is responsible for consolidating the Defense-wide Components budget submissions and for preparing the Env-30a-30e exhibits for the Formerly Used Defense Sites. All Components are required to submit a diskette that includes installation level detail required by paragraph E.6 of DoDI 4715.7, "Environmental Restoration Program." This diskette should be forwarded together with the Components' justification material to Rachel Foster, Directorate for

Operations and Personnel, Pentagon, Room 3D868, (703) 697-9317, ext. 21. The Components and DUSD(ES) are also responsible for updating the OUSD(Comptroller) automated budget system and the FYDP automated systems for the Environmental Restoration appropriations as identified in Chapter 1 of the DoDFMR, Volume 2.

12. Drug Interdiction and Counter-drug Activities. The Deputy Assistant Secretary of Defense for Drug Enforcement Policy and Support (DEP&S) is responsible for preparation and submission of all program and budget review requirements related to the Counter-drug Program. The Military Components will coordinate any proposed personnel changes with the DEP&S prior to submission of the budget estimates. The Military Components should comply with the submission requirements, data requests, and timeliness established by the DEP&S Program and Budget Office, which can be reached at (703) 693-1919.

13. Contingency Operations. Revised budget exhibits for Contingency Operations are incorporated into Chapter 17, Volume 2B of the DoDFMR. These revised exhibits are to be used for preparing the program and budget review requirements related to Contingency Operations. The major change is reflected in the OP-5 exhibit for Contingency Operations that now incorporates a section for OP-32 object class details. This information is added to meet the requirements of section 8110 of P.L. 106-79, the DoD Appropriations Act, 2000. It requires the Department to include the same type of budget justification material for contingency operations as is provided for other DoD activities. Questions may be addressed to Mr. Jon Rider (riderj@osd.pentagon.mil) at (703) 697-9317, ext. 13.

14. Overseas Humanitarian, Disaster and Civic Aid (OHDACA) Appropriation. All budget exhibits requiring a funding display (OP-5, PB, PBA exhibits as applicable) will separately display and detail requirements for the two major programs within the OHDACA appropriation: (1) the Humanitarian Assistance (HA)/Foreign Disaster Relief program, and (2) the Humanitarian Demining program. The HA/Foreign Disaster Relief program will be further detailed by its subactivities (Commander-In-Chief HA Programs, Humanitarian Daily Rations, Emergency Response/Preparedness, and Other HA Activities).

15. Real Property Maintenance (RPM). Specific guidance is contained in Volume 2, Chapter 8 of the DoDFMR. As indicated in section I. of this attachment, two copies of all RPM exhibits are to be delivered to the Military Construction Directorate, Pentagon, Room 3D840. No RPM funds should be budgeted in the Quality of Life Enhancements, Defense account for FY 2002 and beyond.

16. Oman Access Agreement. The United States Government (USG) has recently completed its negotiations with Government of Oman on the United States-Oman Access Agreement. Consistent with the previous Secretary of Defense decision on the funding of this agreement, each of the four Military Services must budget in their FY 2002 BES, \$12 million per fiscal year for each year of the FYDP beginning in FY 2001 so as to fulfill the USG agreed to annual funding level of \$48 million. The required increase in funding for this agreement must be accommodated from within currently approved funding levels for each Service.

C. Revolving Funds.

1. General. Components need to include FY 2003 estimates on all the summary Revolving Fund Exhibits, including any tables in the narrative section. Summary exhibits include the Fund 1, 1a, 2, 3, 4 and 5, 9a, 9c and 9d, 11, 12 and 14 and 23. However, no supporting exhibits are required for FY 2003, such as narrative justifications for the FY 2003 projects in the Capital Budget or the FY 2003 portions of the Fund 21, 24, 25 or 27. In addition, since rates will not be set for FY 2003, the Fund 7b is not required for FY 2003 estimates. Questions about other specific exhibits should be referred to the appropriate analyst in the Revolving Funds Directorate.

2. Advance Billing. It is DoD policy that advance billing will not be used as part of the normal process of ensuring adequate cash levels. Adequate cash levels are to be maintained by ensuring that prices charged customers, in fact, recover total costs.

3. Revolving Fund Accounts Rate Guidance

a. Rates, Cost Recovery, and Accumulated Operating Result (AOR). All activity groups within the WCF must set their FY 2002 rates based on full cost recovery, not cash, including applicable inflation and estimates of both Prior Year (FY 2000) and Current Year (FY 2001) operating results in order to achieve an end-of-year AOR of zero in FY 2002. Components may propose a cost recovery over a 2-year period provided that no less than 50 percent of the recoverable amount is budgeted for the budget year FY 2002. Cash must also be sufficient to avoid additional advance billings. Further, in establishing Fund Activity Group customer rates and price changes, Components shall include known FY 2000 net operating results through July 2000, and extrapolated to year-end. In no instance will costs or rates be adjusted to give customers a discount within the rate structure. To the extent that the rates do not generate sufficient cash, a surcharge should be added for cash to ensure solvency and minimum required Component cash levels. All rates must be properly financed when the Component's budget is submitted.

b. Military Personnel Assigned to Defense-Wide Working Capital Fund Activity (DCWF) Groups. Service budget estimates should include identification of military personnel assigned to Defense Agencies by the appropriate OUSD(Comptroller) automated budget system code and activity. This guidance applies for all DWCF accounts but is particularly important when an agency, such as DLA, has more than one activity group.

c. Military Personnel Pricing. Attachment 6 provides the civilian equivalency rates to be used for pricing military personnel funded in DWCF activity groups. Reimbursement will be based on the average fill rate for the prior three fiscal years. The fill rate is calculated by dividing actual on-board by the number of positions authorized for each grade. These workyears by grade are then multiplied by the civilian equivalency rate to determine the amount of reimbursement to the appropriate military personnel appropriation for each fiscal year.

d. Supply Management Price Development. Supply prices are to be developed based on recovery of the total cost of goods sold. Supply prices will not be reduced based on the restriction of purchases associated with inventory reduction goals. Components

should separately identify in their Supply Management Activity Group budgets a request for obligational authority to cover three months of commitments. This additional authority will provide sufficient flexibility to meet emerging year-end requirements and will be issued as needed in the Annual Operating Budget. Navy and Air Force should continue to reflect obligation authority and sales for the purchase of fuels from the Defense Energy Support Center.

e. Cash Management. Components should budget a sufficient amount of cash to meet both operational requirements and disbursements in support of the Capital Investment Program. Cash levels should be maintained at 7 to 10 days of operating disbursements and 6 months of capital disbursements. If cash from operations is not sufficient to maintain minimal levels, then a surcharge should be added to the rates to generate additional cash. As noted previously, advance billings should not be used as a means of generating additional cash.

f. Navy Shipyards Rate Development. The Navy will include the customer rate development data for each Navy shipyard (Exhibit Fund-7b) in addition to a composite Fund-7b for the total shipyard activity group in the BES.

g. Defense Commissary Agency (DeCA). The customer Services should budget appropriated fund support in FY 2002 as agreed to by DeCA and the Commissary Operating Board.

h. Conventional Ammunition Working Capital Fund (CAWCF). The CAWCF ceased accepting orders as a revolving fund at the end of FY 1998. Funded orders on hand as of September 30, 1998, will be processed through the revolving fund financial system until they are completed. The Army will provide a budget that shows the current status of orders on hand, cash, and a spend out plan through the year of CAWCF close-out (estimated to occur in FY 2005). Any additional funding requirements for contingencies, over and above amounts already funded below, must be justified and documented in the budget package. The Components will include the following amounts in their Procurement of Ammunition budgets for FY 2001 and FY 2002 as documented in PBD 432 of November 12, 1999:

	(\$ in Millions)	
	<u>FY 2001</u>	<u>FY 2002</u>
Army	5.8	25.5
Navy	1.3	5.5
Marine Corps	1.3	5.7
Air Force	1.4	6.3
Special Operations Command	.2	1.1
Total	\$10.0	\$44.1

i. Defense Finance and Accounting Service (DFAS). DFAS customers should ensure all planned purchases from DFAS are reflected in Component BES exhibits (OP-32, P-32, R-32, and WCF Fund 1A exhibits). This data will be used to adjust workload estimates and to balance costs and funding between DFAS and customer accounts.

j. WCF Budget Exhibits. There are two new budget exhibits included in the most recent revision to the DoDFMR Volume, Chapter 9, one related to used and unused Plant Capacity (Fund 30) and the other to War Reserve Material (SM-6).

D. Investment.

1. General. All Procurement and RDT&E budget justification material will include the FY 2000 - FY 2007 funding profile where appropriate. The narrative justifications need only address through FY 2002.

2. Procurement and RDT&E Documentation. The Components are reminded to include Procurement and RDT&E exhibits for any program or project funded with congressional adds in FY 2001 (see paragraph I.D. for guidance on incorporating congressional action). These exhibits should address the FY 2002-2007 milestones and schedule required to complete the program or project and the FY 2002-2007 funding required to fully fund the program or project.

3. Multiyear Procurement (MYP). The estimates will identify those programs where an FY 2002/2003 MYP is proposed. Exhibits for submission of multiyear contracting proposals are included in the Volume 2 of the DoDFMR. A complete set of these exhibits will be prepared and submitted for each new or revised MYP proposal. This should include any program requiring the use of FY 2002 or 2003 advance procurement funding to support an FY 2003 or later multiyear contract. Submission will be made for all multiyear candidate systems for which the contract is \$500 million or greater; for which there is Economic Order Quantity advance procurement funding in excess of \$20 million in any one year; for which there will be an unfunded contingent liability in excess of \$20 million in any one year; or where the procurement quantities of a previously approved MYP have been adjusted.

4. Procurement Program for National Guard and Reserve Equipment (NG&RE). The P-1R exhibit, including all years of the FYDP, is required with the OSD/OMB budget submission and is due to the OUSD(Comptroller) on October 12, 2000. The Services should be prepared to explain the rationale used to formulate the funding allocated to NG&RE. In addition, all funding allocated by the Services in the P-1R for the National Guard and Reserve Components will be annotated in the budget justification documentation provided by the Services. Specifically, the P-3a, P-21, P-23, and P-23a exhibits should contain a non-add memo entry indicating the funding and delivery schedule for all of the items allocated for the National Guard and Reserve components. Separate exhibits can be prepared to provide this information if these forms cannot be manipulated to portray this required non-add memo entry information.

5. Research and Development (R&D) Crosscutting Exhibits. OMB requires budget and outlay data on selected categories within the R&D Science and Technology programs. Submission requirements and due dates for the crosscutting exhibits will be provided under separate cover.

6. Shipbuilding and Conversion, Navy (SCN) and National Defense Sealift Fund (NDSF). The automated submission for the SCN and NDSF appropriations must be segregated by a Special Program Code (SPC). The submit must reflect the following SPC distribution:

SCN

Aircraft Carrier (CVN) program (full funding and AP only)
All other SCN programs

SPC

299
777

NDSF (Direct program only)

Ready Reserve Force
All other NDSF programs

298
777

All subsequent changes to the baseline submission for these two accounts must be coded consistent with the above table.

7. **Tactical Intelligence and Reconnaissance Activities (TIARA) and Joint Military Intelligence Program (JMIP)**. The Components are reminded to include Procurement and RDT&E exhibits for any program or project funded within the TIARA and JMIP program aggregations. Data produced for the TIARA and JMIP justification materials are supplementary to the R&D Descriptive Summaries and Procurement back-up material, not in lieu of. RDT&E and Procurement materials must be submitted also to OASD(C³I) Resource Management, Room 3D228, (703) 695-3937, for all JMIP and TIARA programs.

E. Military Construction/Family Housing/BRAC.

1. **General**. For Military Construction, Family Housing, BRAC, Homeowners Assistance Program, and NATO, detailed budget exhibits (e.g. DD Forms 1390/1391, Exhibits FH-1 through 5, FH OP-5, Exhibits HA-1 through 4, and Exhibit NSIP-1) will not be required for the FY 2003 portion of the FY 2002/2003 BES. However, the FY 2003 automated budget system and C-1 Construction Annex input will still be required to be completed with budget year detail.

2. **Military Construction/Family Housing**. Specific guidance is contained in Volume 2, Chapter 6 of the DoDFMR. Both the National Security Agency and the Defense Intelligence Agency must submit all required family housing justification material as unclassified. Classified supporting materials may be provided separately.

a. The BES should fully fund military construction projects (including Supervision, Inspection, and Overhead/Supervisory and Administrative costs) except as provided for in Chapter 6, Volume 2 of the DoDFMR concerning Military Construction Projects Incremental Funding Policy.

b. Regarding the status of prior year construction accounts, specific guidance is contained in Volume 3, Chapter 9, of the DoDFMR. The MC-4 exhibit will be submitted along with BES and will reflect the four active program years (1997, 1998, 1999, and 2000) broken out by budget activity. Instructions for the completion of the MC-4 exhibits are contained in Appendix A of Chapter 9 of Volume 3 of the DoDFMR.

c. In cases where the parametric cost estimates vary from the factors published annually by the Deputy Under Secretary of Defense (Installations), an explanation shall

be included in the DD 1391 providing sufficient detailed explanation to justify such variance. This explanation shall be included at the end of the DD 1391 and will only be included in the BES. Such explanations will not preclude the review and approval of specific variances during the budget review.

d. The Components shall budget for construction contingencies at a level appropriate to cover expected contingency costs. Although Congress has directed the Department to restore contingency funding to five percent, they have previously stated that this level appears excessive and did nothing in the FY 2001 Military Construction appropriations process to restore contingency funding to the historically budgeted five percent level. Because congressional support for a uniform five percent contingency funding level is questionable, for the BES, each Component shall use a contingency rate that will provide sufficient funding to ensure unimpeded execution of requested projects but shall not exceed the historical five percent level.

e. For major construction projects where the Design/Build contracting method is planned to be used, the design cost associated with the contract should be included in the Cost Estimates (Block 9) section of the DD Form 1391. The entry "Design/Build - Design Cost" will be used and should appear after the "SIOH" entry and before the "Total Request" entry with the associated cost in the proper column.

f. Unless directed otherwise, when updating the C-1 Construction Annex, any and each general reduction resulting from congressional action or as a result of the budget review will be shown as a lump sum entry under Unspecified Worldwide Locations and will not be spread to individual projects.

3. Family Housing O&M. In order to comply with the Senate Report 106-290 accompanying the FY 2001 Military Construction Appropriations Bill, the FY 2002/2003 BES and the President's Budget must separately identify and justify the funds required to develop, evaluate and oversee privatization deals, including the cost of consultants hired to assist in these efforts. A separate line entitled "Housing Privatization" shall be added as a sub-element of Operations, after the existing four sub-elements (Management, Services, Furnishings, and Miscellaneous) in Part B of Exhibit FH-2 (Family Housing O&M). In addition, the budget submission must include a separate OP-5 Exhibit (Reconciliation of Increases and Decreases) in sufficient detail to support the "Housing Privatization" funding requirement.

4. BRAC. A separate justification book will be prepared by each DoD Component for each base closure round. Detailed guidance for preparation of the justification books is provided in Chapter 7 of Volume 2B of the DoDFMR. For Base Closure Account - Part I, information is required for FY 1990 through FY 2003. For Base Closure Account - Part II, information is required for FY 1992 through FY 2003. For Base Closure Account - Part III, information is required for FY 1994 through FY 2003. For Base Closure Account - Part IV, information is required for FY 1996 through FY 2003.

The estimates of BRAC savings reported in Exhibit BC-02 must be based on the best projection of the savings that will actually accrue from approved base closures and realignments. These budget quality estimates of savings should be derived from installation reviews, actual site

surveys, and the best available information during budget preparation. In addition, the DoD Components are responsible for the preparation and submission of Special BRAC Environmental Exhibits 1 and 2 as specified in the DoDFMR, Volume 2, Chapter 7. The BRAC Environmental Exhibits include requirements by relative risk category and each phase of environmental restoration, as well as requirements for environmental compliance and planning. A diskette with installation level detail for environmental restoration activities at BRAC installations, similar to that identified for submission in Chapter 13 of the DoDFMR for environmental restoration activities at active installations, should be forwarded together with BRAC Environmental Exhibits 1 and 2 to OUSD(Comptroller) (P/B) Military Construction Directorate, Room 3D840. Any questions concerning the data file structure will be addressed by the OUSD for Environmental Security, Mr. Don Leonard at (703) 695-2195.

F. Tactical Intelligence and Related Activities (TIARA) and Joint Military Intelligence Program (JMIP)

1. Requirements for TIARA and JMIP budget material have been clarified and revised in Chapter 16 of the DoDFMR, Volume 2.
2. Each Military Department and Defense Agency contributing to the JMIP or TIARA program aggregations are required to provide an automated submission of BES data to OASD(C³I) in intelligence project code detail. Format and detailed instructions for this submission are contained in FMR Chapter 16. Questions may be directed to Diane McGibbon, Resource Management Directorate, OASD(C³I) at (703) 697-4542/695-3937.

G. Other Requirements.

1. Information Technology (IT). Requirements for IT budget material have been extensively revised in Chapter 18 of the DoDFMR, Volume 2. Questions may be directed to Linda Kjonnerod, Resource Management Directorate, OASD(C³I) at (703) 695-3937/7182.
2. Civilian Personnel.
 - a. All Components must submit both a paper copy and automated Exhibit OP-8 for all appropriations that fund civilian personnel (e.g., RDT&E appropriations.) As indicated in paragraph IV.B.2. above, these should be provided to Ms. Cathy Reilly of the Operations and Personnel Directorate, OUSD(Comptroller), Room 3D868, Pentagon, in accordance with Chapter 3, section 0302, Volume 2 of the DoDFMR. As indicated in paragraph I.G., above, Components must certify the accuracy of the data or reconcile amounts within 3-business days.
 - b. As a reminder, Components should not include non-DoD personnel (e.g., contractors) in the FTEs or end strength estimates budgeted. Additionally, civilian personnel FTEs should reflect projected execution levels (versus authorized) based on resources and workload requirements and recognize hiring lags.
 - c. Also, Components are reminded that the budget estimates must fully fund fact-of-life pay adjustments approved in the OPM letters or Executive Orders.

d. All Components must submit a PB-54 (Civilian Hiring Plan) Exhibit. Guidance for the PB-54 Exhibit is contained in Chapter 19, section 191205, Volume 2 of the DoDFMR. Components are reminded to submit these exhibits by appropriation/fund as well as a consolidated Department/Agency exhibit with the BES to the Operations and Personnel Directorate, OUSD(Comptroller), Pentagon, Room 3D868. Additionally, Components are reminded to complete the exhibit sections showing gains and separations by month. Specific questions regarding the exhibit may be addressed to Ms. Cathy Reilly at (703) 697-3101, ext. 31.

3. Functional Transfers. Any inter-Component functional transfers documented by an OSD decision or initiated by the Defense Components that were not included in the Program Review must be included in the automated and paper copy budget submissions of all affected organizations. Each Component must include with the OSD BES a PB-14 exhibit identifying all functional transfers and the net change to the Component's topline. This exhibit is included in Volume 2B, Chapter 19 of the DoDFMR. The gaining Component should attach to this exhibit signed concurrence from all affected organizations. A copy of the exhibit should be provided to all affected directorates (including Program and Financial Control within the Program/Budget (P/B) OUSD(Comptroller)). Functional transfers should also be reflected on the PB-1A exhibit.

4. Initial Automated Submission of Defense Accounts (TI 97) by Directorates and Components. An updated listing of OUSD(Comptroller) (P/B) Directorate and Service/Defense Agency responsibilities for automated submission of Defense accounts will be provided to Components at the August 16, 2000 meeting to discuss automated submission requirements.

5. Combating Terrorism. DoD Directive 2000.12, "DoD Combating Terrorism Program," requires that force protection funds within budget submissions be clearly identified. Chapter 19, Volume 2, of the DoDFMR reflects specific requirements. Questions may be addressed to Ms. Penny Austen (austenp@osd.pentagon.mil) at (703) 697-9317, ext. 24.

6. Contract Services.

a. Object Class 25.1/PB-15 Exhibit. Each Component is required to ensure that obligations recorded in object class 25.1, "Advisory and Assistance Services (A&AS)" comply with the definitions indicated in section 1105(g)(2)(A) of Title 31, U.S.C. and section 911 of the FY 1999 National Defense Authorization Act (codified in section 2212(b) of Title 10 U.S.C.) other than exceptions authorized under DoD Directive 4205.2, "Acquiring and Managing Contracted Advisory and Assistance Services," dated February 10, 1992. Due to the reinstatement of the exemptions allowed under this Directive, the scope of the A&AS definitions in title 10 U.S.C., Section 2212 (f)(4), is significantly narrower than the definitions found in the OMB Circular A-11. Each Component must provide explanations for any changes in A&AS cost estimates between fiscal years and between the FY 2001 President's Budget request and the current estimate. Each Component must submit a-PB-15 Exhibit for each appropriation/fund; negative replies are required. Both a hard copy and an electronic copy are to be submitted to Mr. Robin Farley (farleyr@osd.pentagon.mil), Directorate for Operations and Personnel, Pentagon, Room 3D868, (703) 697-3101, ext. 41.

b. Object Class 25.2. The Components are also required to review Object Class 25.2, "Other Contract Service" to improve the accuracy in reporting the types of contracting efforts. To the greatest extent possible, DoD Components should utilize object classes other than "Other Contract Services". If a contract contains multiple object classes and it is too complex to divide into more than one object class, then the predominant object class that applies should be cited. Questions may be addressed to Mr. Robin Farley (farleyr@osd.pentagon.mil) at (703) 697-3101, ext. 41.

c. PB-19 Exhibit. The PB-19 Exhibit (Contract Reporting by Appropriation) should be used for reporting object class 25 data. The Components must ensure that the resources identified under object class 25.2 (Other Services) for miscellaneous contracts are limited to no more than 15 percent of all object class 25 contractual efforts for each appropriation/fund. In cases where the object class 25.2 "Other Services" will exceed the 15 percent limitation imposed by Congress, the exhibit should include a detailed justification for each (appropriation/fund) explaining why the Component cannot comply with the congressional limitation. The exhibit format can be found in Chapter 19 of Volume 2 of the DoDFMR. Each Component must submit a PB-19 Exhibit for each appropriation/fund; negative replies are required. Both a hard copy and an electronic copy are to be submitted to Mr. Robin Farley (farleyr@osd.pentagon.mil), Directorate for Operations and Personnel, Pentagon, Room 3D868, (703) 697-3101, ext. 41.

d. Consistency of Exhibits. The Components must ensure that A&AS reporting is consistent throughout the justification material supporting their budget estimate submission. Questions may be addressed to Mr. Robin Farley (farleyr@osd.pentagon.mil) at (703) 697-3101, ext. 41. The A&AS reporting and object class reporting must match on the following exhibits:

PB-15	Advisory and Assistance Services
PB-19	Contract Reporting by Appropriation
OP-5	Detail by Subactivity Group
OP-32	Summary of Price and Program Change

7. Competitive and Strategies Sourcing: Exhibit PB-42, Competitive and Strategies Sourcing (formerly Competition and Privatization) is required from each Service and Defense Agency. A revised format can be found in the DoDFMR, Volume 2, Chapter 19. When submitted, funding and manpower savings must agree with the amounts included in the budget. Negative reports must be submitted by those Components that have no competitions scheduled. Both a hard copy and an electronic copy are to be submitted to Mr. Robin Farley (farleyr@osd.pentagon.mil), Directorate for Operations and Personnel, Pentagon, Room 3D868, (703) 697-3101, ext. 41.

8. Proposed Legislation (Personnel Related). Those legislative proposals approved by USD(P&R) as part of the Unified Legislation Budget (ULB) process will be included in the Components' budget submissions **due on September 29, 2000**. The cost of the ULB proposals, as well as any other Component proposed legislation which is outside the ULB purview, must be fully funded. The submissions will identify and justify such proposals or candidates, as well as the estimated costs, for FY 2002 through FY 2007. If the ULB process has not been finalized, the Components must include funding in their budget submissions for **all legislative proposals submitted and supported by that Component**. The Components are required to provide this information using the PB-16 format in Chapter 19 of Volume 2 of the DoDFMR. Questions may be addressed to Mr. Mason Beale (bealem@osd.pentagon.mil) at (703) 697-3101, ext. 32.

9. Proposed Legislation (Acquisition Related). A new initiative to incorporate legislative proposals into DoD budget estimates has been established by the Under Secretary of Defense (Acquisition and Technology) (USD(A&T)) for this budget review cycle. Those legislative proposals approved by the USD(A&T) as part of this ULB process will be included in the Components' budget submissions **due on September 29, 2000**. As with the personnel related proposals, the cost of ULB acquisition related proposals, as well as any other Component proposed legislation which is outside the ULB purview, must be fully funded. The submissions will identify and justify such proposals or candidates, as well as the estimated costs, for FY 2002 through FY 2007. If the ULB process has not been finalized, the Components must include funding in their budget submissions for **all legislative proposals submitted and supported by that Component**. The Components are required to provide this information using the PB-16 format in Chapter 19 of Volume 2 of the DoDFMR.

10. International Travel. Section 100.4 of OMB Circular A-11, dated July 12, 1999, specifies the information requirements for international travel expenditures and numbers of individuals who traveled internationally during FY 2000. Use the format for the PB 56 exhibit found in Chapter 19 of Volume 2 of the DoDFMR to submit this data. Each Component must submit the PB-56 exhibit; negative replies are required. Questions may be addressed to Mr. Robin Farley (farleyr@osd.pentagon.mil) at (703) 697-3101, ext. 41.

11. Major DoD Headquarters Activities (formerly Management Headquarters). DoD directive 5100.73, "Major DoD Headquarters Activities", was signed by the Deputy Secretary of Defense on 13 May 1999. The directive is available on the Internet at <http://web7.whs.osd.mil>. Components are to use this guidance and definitions when preparing their justification material and completing the revised PB-22 exhibit for both the OSD/OMB FY 2002/2003 BES and the FY 2002 President's Budget. Questions may be addressed to Ms. Cathy Reilly (reillyc@osd.pentagon.mil) at (703) 697-3101, ext. 31.

12. Acquisition Workforce. A new budget exhibit, the PB-23, Acquisition and Technology Work Force, is required to capture the acquisition and technology workforce. Applicable Components must complete and return this exhibit with their budget submissions. The estimates should reflect the new definition of the acquisition work force based on specified organizational and occupational criteria that is described in the Jefferson Solutions technical report "Identification of the DoD Key Acquisition and Technology Workforce, DASW01-98-C-0010, May 1999" and is available from the DoD Acquisition Education, Training and Career

Development office at (703) 578-2761. The exhibit and instructions for completing the exhibit and making distribution are included in Chapter 19, Volume 2, of the DoDFMR. A recommended category structure is shown on the exhibit. These categories are defined in the FYDP Programming Database web page on the SIPRNet at <https://dpd.pae.osd.smil.mil> or can be obtained from the Office of the Director, Program Analysis and Evaluation, Mr. Lance Roark, (703) 697-4312, or by email at lance.roark@osd.pentagon.mil. Questions may be addressed to Ms. Cathy Reilly (reillyc@osd.pentagon.mil) at (703) 697-3101, ext. 31.

13. Small Disadvantaged Businesses (SDB) Certification Program. The OMB directed that Federal agencies shall reimburse the Small Business Administration (SBA) for SDB certifications. The SBA anticipates that its certification cost will remain at the FY 2000 level. Accordingly, you should budget for this requirement in FY 2001, FY 2002, and beyond at the amount of your FY 2000 payment. Components should budget for this requirement to preclude having to absorb these costs during execution.

14. Financial Management Activities (Exhibit 52). Submission of the Exhibit 52, Report on Resources for Financial Management Activities, is required for the BES and an update is required for the President's Budget submission. Components should review Chapter 19, Volume 2, of the DoDFMR and Section 52 of OMB Circular A-11 for specific requirements. Resources reported for financial management systems, which consist of financial systems and financial portions of mixed systems necessary to support financial management, must be consistent with information reported for the financial management mission area on the Exhibit 53, Report on IT. Resources reported must also be consistent with systems information provided by each Component for the FY 2000 Financial Management Improvement Plan. Components should submit Exhibit 52 to the Office of the Deputy Chief Financial Officer, Room 3E843, Pentagon. Questions may be directed to Kris Beaubien at beaubiek@osd.pentagon.mil or (703) 604-6350.

15. Declassification of Records. Section 1041 of the FY 2000 National Defense Authorization Act (P.L. 106-65) amends chapter 9 of the title 10, U.S.C, by adding section 230, Amounts for Declassification of Records. Section 230 requires all budget justification material to specifically identify as a budgetary line item, the amounts required to carry out programmed activities during the fiscal year to declassify records pursuant to Executive Order No. 12958 or any successor executive order or to comply with any statutory requirement, or any request, to declassify Government records. To comply with this requirement, each Component will include a specific line item in their justification material displaying amounts included in each fiscal year for the records declassification function. For O&M appropriations, a separate line item should be identified in the Performance Criteria section of the OP-5 exhibit. Questions may be addressed to Mr. Gary Marlar (marlarg@osd.pentagon.mil) at (703) 697-9317, ext. 22.

16. Rental Payments for Space and Land. Section 54 of OMB Circular A-11 provides guidance for the completion of Exhibit 54, Space Budget Justification. Components should submit 2 copies (1 for OUSD(Comptroller) and 1 for GSA) to the Operations and Personnel Directorate, Room 3D868. Questions may be addressed to Mr. Gary Marlar (marlarg@osd.pentagon.mil) at (703) 697-9317, ext. 22.

PRICE ESCALATION INDICES

(Annual Rates in Percentages)

OUTLAYS

<u>Fiscal Year</u>	<u>Procurement</u>	<u>RDTE</u>	<u>Mil Con FH Const</u>	<u>O&M (Excl Fuel)</u>	<u>O&M Fuel</u>	<u>Mil 1/ Pers Non-Pay</u>	<u>CPI-U Medical</u>
1998	0.7	0.7	0.7	0.7	19.7	0.7	3.0
1999	0.8	0.8	0.8	0.8	-8.8	0.8	3.5
2000	1.0	1.0	1.0	1.0	-25.3	1.0	4.1
2001	1.5	1.5	1.5	1.5	62.9	1.5	4.0
2002	1.5	1.5	1.5	1.5	-14.9	1.5	4.1
2003	1.5	1.5	1.5	1.5	-3.5	1.5	4.2
2004	2.0	2.0	2.0	2.0	1.2	2.0	4.2
2005 3/	2.0	2.0	2.0	2.0	1.2	2.0	4.2

BUDGET AUTHORITY 2/

1998	0.9	0.8	0.9	0.8	19.7	0.7	3.0
1999	1.1	0.9	1.1	0.9	-8.8	0.8	3.7
2000	1.3	1.3	1.4	1.2	-25.3	1.0	4.1
2001	1.6	1.5	1.6	1.5	62.9	1.5	4.0
2002	1.6	1.6	1.7	1.6	-14.9	1.5	4.1
2003	1.8	1.7	1.8	1.7	-3.5	1.5	4.2
2004	2.0	2.0	2.0	2.0	1.2	2.0	4.2
2005 3/	2.0	2.0	2.0	2.0	1.2	2.0	4.2

PAY RAISE ASSUMPTIONS 4/

	<u>ECI</u>	<u>Military</u>	<u>Civilian</u>
1999	3.6	3.6	3.6
2000	4.3	4.8	4.8
2001	3.2	3.7	3.7
2002	3.2	3.7	3.7
2003	3.2	3.2	3.2
2004	3.2	3.2	3.2
2005 3/	3.2	3.2	3.2

1/ Not to be used to inflate accounts fixed by statute.

2/ These are composite rates at the title level. Inflation rates for specific accounts are a function of the spend out profiles and will vary within each title.

3/ These rates are to be used for all years beyond 2005.

4/ All pay raises effective January 1.

OUTLAY RATES TO BE USED FOR INCREMENTAL CHANGES IN BA PURCHASES
(as Percent of BA Purchases)

	<u>FIRST YEAR</u>	<u>SECOND YEAR</u>	<u>THIRD YEAR</u>	<u>FOURTH YEAR</u>	<u>FIFTH YEAR</u>	<u>SIXTH YEAR</u>	<u>SEVENTH YEAR</u>
<u>MILITARY PERSONNEL</u>							
Army	69.59	26.98	3.43				
Navy	83.35	14.53	2.12				
Marines	74.57	22.60	2.83				
Air Force	71.27	23.15	5.58				
Army Reserve	65.56	27.55	6.89				
Navy Reserve	69.79	23.21	7.00				
Marine Reserve	71.34	20.99	7.67				
AF Reserve	78.33	15.02	6.65				
Army Guard	66.17	24.43	9.40				
AF Guard	81.78	18.22					

OPERATION AND MAINTENANCE

Army	46.48	39.45	6.67	7.40			
Navy	55.84	32.29	6.42	5.45			
Marines	49.29	39.96	4.65	6.10			
Air Force	56.91	35.35	4.42	3.32			
Defense Wide	53.22	35.99	6.30	4.49			
Army Reserve	52.97	38.95	5.78	2.30			
Navy Reserve	57.03	33.63	6.14	3.20			
Marine Reserve	62.12	30.43	4.32	3.13			
AF Reserve	50.17	37.70	12.13				
Army Guard	56.73	35.56	7.71				
AF Guard	60.10	34.58	5.32				
Inspect Gen	50.87	37.17	5.13	6.83			
Drug Interdict	34.40	43.30	12.50	5.00	4.80		
Court Mil Appeals	55.06	24.20	20.74				
Environmental	22.00	45.00	22.00	6.00	5.00		
Def Health Prog	74.28	19.35	3.25	3.12			
Human Asst	21.00	46.70	23.20	5.00	4.10		

PROCUREMENT

Army

Army Aircraft	24.60	42.00	29.40	2.00	2.00		
Army Missiles	7.70	38.90	36.90	11.60	4.90		
Army W&TCV	16.60	49.00	26.70	5.20	1.00	1.50	
Army Ammunition	30.30	32.60	18.30	9.00	5.50	4.30	
Army Other	23.90	42.30	24.30	5.70	1.50	2.30	
Army Vision	55.50	35.70	5.30	1.30	2.20		

Defense Agencies/Defense Wide

Proc Def Wide	32.10	36.40	16.90	6.50	4.00	4.10	
NG Equipment	15.50	35.80	23.30	14.00	7.10	4.30	
Def Prod Act	0.10	9.90	30.00	40.00	15.00	5.00	
Chemical Agents	43.75	27.00	11.70	8.10	5.00	4.45	

OUTLAY RATES TO BE USED FOR INCREMENTAL CHANGES IN BA PURCHASES
(as Percent of BA Purchases)

	<u>FIRST</u> <u>YEAR</u>	<u>SECOND</u> <u>YEAR</u>	<u>THIRD</u> <u>YEAR</u>	<u>FOURTH</u> <u>YEAR</u>	<u>FIFTH</u> <u>YEAR</u>	<u>SIXTH</u> <u>YEAR</u>	<u>SEVENTH</u> <u>YEAR</u>
<u>Navy</u>							
Navy Aircraft	15.50	36.20	30.70	9.60	4.40	3.60	
Navy Weapons	17.50	29.50	30.70	13.60	4.20	4.50	
Navy Ships	5.90	13.90	20.60	17.70	12.00	13.60	16.30
Navy Ammo	21.60	30.00	20.90	12.00	9.30	6.20	
Navy Other	34.20	41.30	14.10	4.60	3.50	2.30	
Procurement MC	19.50	41.00	26.40	9.00	2.00	2.10	
<u>Air Force</u>							
AF Aircraft	17.60	40.70	26.70	7.00	5.00	3.00	
AF Missiles	24.30	31.60	23.50	10.80	3.80	6.00	
AF Ammo	15.00	25.90	44.40	12.00	1.70	1.00	
AF Other	60.00	28.60	8.60	1.00	0.70	1.10	
<u>RDT&E</u>							
Army	45.18	42.57	6.45	2.70	3.10		
Navy	53.30	38.41	5.25	1.17	1.87		
Air Force	57.77	35.24	3.75	1.04	2.20		
Defense Wide	43.12	43.51	8.74	4.63			
Dir T&E	43.00	44.10	7.10	2.50	3.30		
Dir OT&E	42.50	45.70	6.00	1.80	4.00		
<u>MILITARY CONSTRUCTION</u>							
Mil Con Army	5.60	38.10	40.00	8.60	2.80	4.90	
Mil Con Navy	3.70	58.70	28.00	4.00	3.00	2.60	
Mil Con Air Force	14.40	49.60	28.00	4.10	1.50	2.40	
Mil Con Def Wide	10.10	39.00	23.90	14.90	6.00	6.10	
Mil Con Army Reserve	11.00	38.00	25.20	12.20	8.00	5.60	
Mil Con Air Force Res	13.40	47.00	25.80	9.00	2.30	2.50	
Mil Con Navy Res	8.70	38.40	22.70	15.00	9.00	6.20	
Mil Con Army Gd	7.30	36.20	21.90	20.20	14.40		
Mil Con Air Nat Gd	9.00	48.70	25.10	11.40	3.00	2.80	
NATO	12.10	12.90	50.00	25.00			
Base Closure, A	26.20	48.90	14.00	5.00	3.90	2.00	
Base Closure, N	37.90	34.70	14.10	10.30	3.00		
Base Closure, AF	26.90	36.30	22.30	9.60	4.90		
Base Closure, DW	11.10	45.30	17.90	14.50	5.40	5.80	
BRAC Environ	75.50	18.90	3.10	2.50			
<u>FAMILY HOUSING</u>							
Opns & Debt Army	69.76	23.34	4.99	1.91			
Opns & Debt Navy	56.75	30.88	6.44	5.93			
Opns & Debt Air Force	67.99	25.04	4.24	2.73			
Opns & Debt Def Wide	64.30	15.00	8.90	11.80			
FH Const Army	2.00	41.50	37.10	16.00	3.40		
FH Const Navy	6.90	37.40	23.80	16.20	6.50	9.20	
FH Const AF	14.10	39.60	26.00	8.00	5.00	7.30	
FH Const Def Wide	3.00	2.90	28.70	24.10	22.30	19.00	
<u>DEF SEALIFT FUND</u>							
	46.40	31.30	7.20	5.00	4.00	6.10	

POL Customer Prices

Product Type	FY 2000		FY 2001		FY 2002		FY 2003	
	Gallon	Barrel	Gallon	Barrel	Gallon	Barrel	Gallon	Barrel
AVGAS OCONUS	\$ 2.43	\$ 102.06	\$ 3.76	\$ 157.92	\$ 3.20	\$ 134.40	\$ 3.09	\$ 129.78
AVGAS CONUS	\$ 0.75	\$ 31.50	\$ 1.22	\$ 51.24	\$ 1.04	\$ 43.68	\$ 1.00	\$ 42.00
Motor Gas Leaded	\$ 0.81	\$ 34.02	\$ 1.27	\$ 53.34	\$ 1.08	\$ 45.36	\$ 1.04	\$ 43.68
Motor Gas Unleaded	\$ 0.68	\$ 28.56	\$ 1.09	\$ 45.78	\$ 0.93	\$ 39.06	\$ 0.90	\$ 37.80
Premium	\$ 0.74	\$ 31.08	\$ 1.17	\$ 49.14	\$ 1.00	\$ 42.00	\$ 0.97	\$ 40.74
Midgrade	\$ 0.71	\$ 29.82	\$ 1.13	\$ 47.46	\$ 0.96	\$ 40.32	\$ 0.93	\$ 39.06
Regular	\$ 0.67	\$ 28.14	\$ 1.07	\$ 44.94	\$ 0.91	\$ 38.22	\$ 0.88	\$ 36.96
Gasohol	\$ 0.69	\$ 28.98	\$ 1.10	\$ 46.20	\$ 0.94	\$ 39.48	\$ 0.91	\$ 38.22
JP-4 Milspec	\$ 0.80	\$ 33.60	\$ 1.21	\$ 50.82	\$ 1.03	\$ 43.26	\$ 0.99	\$ 41.58
Jet Fuel Commercial Grade	\$ 0.61	\$ 25.62	\$ 1.00	\$ 42.00	\$ 0.85	\$ 35.70	\$ 0.82	\$ 34.44
JP-5	\$ 0.63	\$ 26.46	\$ 1.03	\$ 43.26	\$ 0.88	\$ 36.96	\$ 0.85	\$ 35.70
JP-8	\$ 0.62	\$ 26.04	\$ 1.01	\$ 42.42	\$ 0.86	\$ 36.12	\$ 0.83	\$ 34.86
Distillates	\$ 0.60	\$ 25.20	\$ 0.98	\$ 41.16	\$ 0.83	\$ 34.86	\$ 0.80	\$ 33.60
Diesel (Generic)	\$ 0.57	\$ 23.94	\$ 0.95	\$ 39.90	\$ 0.81	\$ 34.02	\$ 0.78	\$ 32.76
Diesel KSN PC&S	\$ 0.58	\$ 24.36	\$ 0.96	\$ 40.32	\$ 0.82	\$ 34.44	\$ 0.79	\$ 33.18
Diesel KS1 PC&S	\$ 0.61	\$ 25.62	\$ 1.00	\$ 42.00	\$ 0.85	\$ 35.70	\$ 0.82	\$ 34.44
Diesel FS2 PC&S	\$ 0.51	\$ 21.42	\$ 0.85	\$ 35.70	\$ 0.72	\$ 30.24	\$ 0.69	\$ 28.98
Diesel FS1 PC&S	\$ 0.58	\$ 24.36	\$ 0.96	\$ 40.32	\$ 0.82	\$ 34.44	\$ 0.79	\$ 33.18
Diesel DFA High Sulfur	\$ 0.61	\$ 25.62	\$ 1.00	\$ 42.00	\$ 0.85	\$ 35.70	\$ 0.82	\$ 34.44
Diesel DLA Low Sulfur	\$ 0.74	\$ 31.08	\$ 1.17	\$ 49.14	\$ 1.00	\$ 42.00	\$ 0.97	\$ 40.74
Diesel DL1 Low Sulfur	\$ 0.67	\$ 28.14	\$ 1.07	\$ 44.94	\$ 0.91	\$ 38.22	\$ 0.88	\$ 36.96
Diesel DF1 High Sulfur	\$ 0.57	\$ 23.94	\$ 0.95	\$ 39.90	\$ 0.81	\$ 34.02	\$ 0.78	\$ 32.76
Diesel DF2 High Sulfur	\$ 0.52	\$ 21.84	\$ 0.87	\$ 36.54	\$ 0.74	\$ 31.08	\$ 0.71	\$ 29.82
Diesel DL2 Low Sulfur	\$ 0.62	\$ 26.04	\$ 1.00	\$ 42.00	\$ 0.85	\$ 35.70	\$ 0.82	\$ 34.44
Residuals	\$ 0.38	\$ 15.96	\$ 0.65	\$ 27.30	\$ 0.55	\$ 23.10	\$ 0.53	\$ 22.26
Navy Reclaimed	\$ 0.37	\$ 15.54	\$ 0.35	\$ 14.70	\$ 0.36	\$ 15.12	\$ 0.36	\$ 15.12
Into Plane	\$ 0.79	\$ 33.18	\$ 1.27	\$ 53.34	\$ 1.08	\$ 45.36	\$ 1.04	\$ 43.68
Local Purchase Jet Fuel	\$ 1.50	\$ 63.00	\$ 1.50	\$ 63.00	\$ 1.50	\$ 63.00	\$ 1.50	\$ 63.00
Into Plane AVGAS	\$ 0.94	\$ 39.48	\$ 1.50	\$ 63.00	\$ 1.28	\$ 53.76	\$ 1.24	\$ 52.08
Bunker - Marine	\$ 0.58	\$ 24.36	\$ 0.96	\$ 40.32	\$ 0.82	\$ 34.44	\$ 0.79	\$ 33.18
Bunker - Intermediate	\$ 0.29	\$ 12.18	\$ 0.67	\$ 28.14	\$ 0.57	\$ 23.94	\$ 0.55	\$ 23.10
Composite Price	\$ 0.62	\$ 26.04	\$ 1.01	\$ 42.42	\$ 0.86	\$ 36.12	\$ 0.83	\$ 34.86
Special Fuels:								
Special Fuels 2 (JP-TS)	\$ 3.25	\$ 136.50	\$ 3.25	\$ 136.50	\$ 3.45	\$ 144.90	\$ 3.75	\$ 157.50
Special Fuels 1 (JP-7)	\$ 3.00	\$ 126.00	\$ 3.00	\$ 126.00	\$ 3.00	\$ 126.00	\$ 3.00	\$ 126.00

DLA Distribution Depots (DWCF)

Secondary Item Prices

<u>Receipt or Issue Transaction Cost</u>	<u>On-Base</u>	<u>Off-Base</u>	<u>Receipts</u>
	<u>Issues</u>	<u>Issues</u>	
FY 2000			
Bin	\$ 13.95	\$ 17.18	\$ 24.55
Medium Bulk	\$ 31.10	\$ 38.49	\$ 38.59
Heavy Bulk/Hazardous	\$ 57.34	\$ 88.88	\$ 63.29
Transshipments	\$ 5.25	\$ 38.49	Per Issue
Out-of-Cycle	\$ 35.00	\$ 35.00	Per Issue

FY 2001			
Bin	\$ 11.27	\$ 16.84	\$ 20.92
Medium Bulk	\$ 23.50	\$ 33.98	\$ 31.96
Heavy Bulk/Hazardous	\$ 44.15	\$ 113.20	\$ 71.20
Transshipments	\$ 6.24	\$ 33.98	Per Issue
Out-of-Cycle	\$ 35.00	\$ 35.00	Per Issue

FY 2002			
Bin	\$ 11.30	\$ 16.88	\$ 20.97
Medium Bulk	\$ 23.56	\$ 34.06	\$ 32.04
Heavy Bulk/Hazardous	\$ 44.26	\$ 113.48	\$ 71.38
Transshipments	\$ 6.26	\$ 34.06	Per Issue
Out of Cycle Issue Charge	\$ 35.00	\$ 35.00	Per Issue

FY 2003			
Bin	\$ 11.22	\$ 16.77	\$ 20.83
Medium Bulk	\$ 23.40	\$ 33.84	\$ 31.83
Heavy Bulk/Hazardous	\$ 43.97	\$ 112.74	\$ 70.91
Transshipments	\$ 6.21	\$ 33.84	Per Issue
Out of Cycle Issue Charge	\$ 35.00	\$ 35.00	Per Issue

Annual Storage Cost per Cubic Foot

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Covered Storage per Cubic Foot	\$ 0.83	\$ 0.83	\$ 0.86	\$ 0.81
Open Storage per Cubic Foot	\$ 0.17	\$ 0.17	\$ 0.16	\$ 0.15

Additional Prices

Reimbursable Labor per Hour	\$ 65.95	\$ 68.36	\$ 67.34	\$ 67.86
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Net Landed Cost

FY 2002

Receipts Basic Charge	\$	21.54 per line
plus Weight Charge		
Band 1 Issues: <=40 lbs	\$	1.35 per line
Band 2 Issues: 41-150 lbs	\$	8.28 per line
Band 3 Issues: 151-2000 lbs	\$	21.60 per line
Band 4 Issues: >2000 lbs	\$	21.60 plus \$.0079 per lb over 2000 lbs.
plus (if applicable)		
Return	\$	3.81 per line
Hazardous	\$	12.89 per line
Hard to Handle	\$	12.89 per line
 On-Base Issues Basic Charge	 \$	 8.79 per line
plus Weight Charge		
Band 1 Issues: <=40 lbs	\$	1.35 per line
Band 2 Issues: 41-150 lbs	\$	8.28 per line
Band 3 Issues: 151-2000 lbs	\$	21.60 per line
Band 4 Issues: >2000 lbs	\$	21.60 plus \$.0079 per lb over 2000 lbs.
plus (if applicable)		
Local Delivery	\$	1.24 per line
Hazardous	\$	12.89 per line
Hard to Handle	\$	12.89 per line
Controlled Item	\$	6.37 per line
FMS	\$	6.33 per line
Out of Cycle	\$	17.32 per line
 Off-Base Issues Basic Charge	 \$	 12.81 per line
plus Weight Charge		
Band 1 Issues: <=40 lbs	\$	2.31 per line
Band 2 Issues: 41-150 lbs	\$	18.40 per line
Band 3 Issues: 151-2000 lbs	\$	36.91 per line
Band 4 Issues: >2000 lbs	\$	36.91 plus \$.0104 per lb over 2000 lbs.
plus (if applicable)		
Local Delivery	\$	1.24 per line
Hazardous	\$	12.89 per line
Hard to Handle	\$	12.89 per line
Controlled Item	\$	6.37 per line
FMS	\$	6.33 per line
Out of Cycle	\$	17.32 per line
*Actual Transportation		

FOREIGN CURRENCY EXCHANGE RATES ^{1/}

(Units of Foreign Currency Per One U.S. Dollar)

<u>Country</u>	<u>Monetary Unit</u>	<u>FY 2001 Budget Rates</u>	<u>FY 2002 Budget Rates</u> ^{2/}
Belgium	Franc	40.210	-
Denmark	Krone	7.393	7.393
European Community	Euro	0.9982	0.9982
France	Franc	6.5471	-
Germany	Deutsche Mark	1.9521	-
Greece	Drachma	326.90	-
Italy	Lira	1,932.19	-
Japan	Yen	102.670	102.670
Netherlands	Guilder	2. 1968	-
Norway	Krone	8.0720	8.0720
Portugal	Escudo	198.830	-
Singapore	Dollar	1.6850	1.6850
South Korea	Won	1,149.8	1,149.8
Spain	Peseta	165.30	-
Turkey	Lira	518,220.0	518,220.0
United Kingdom	Pound	0.6250	0.6250

^{1/} Applicable only for participants in the Foreign Currency Fluctuations, Defense and the Foreign Currency Fluctuations, Construction, Defense transfer appropriations.

^{2/} Applicable to FY 2002 through FY 2007.

NOTE: Components are directed to adhere strictly to the above prescribed rates.

Issues from Receiving	\$	1.15 per line
plus Weight Charge		
Band 1 Issues: <=40 lbs	\$	1.35 per line
Band 2 Issues: 41-150 lbs	\$	8.28 per line
Band 3 Issues: 151-2000 lbs	\$	21.60 per line
Band 4 Issues: >2000 lbs	\$	21.60 plus \$.0079 per lb over 2000 lbs.
plus (if applicable)		
Local Delivery	\$	1.24 per line
Hazardous	\$	12.89 per line
Hard to Handle	\$	12.89 per line
Controlled Item	\$	6.37 per line
FMS	\$	6.33 per line
Out of Cycle	\$	17.32 per line
*Actual Transportation		

Transshipment

One of the following:

Mark-For	\$	4.65 per line
Onbase	\$	8.47 per line
Offbase	\$	17.71 per line
plus Weight Charge		
Band 1 Issues: <=40 lbs	\$	2.31 per line
Band 2 Issues: 41-150 lbs	\$	18.40 per line
Band 3 Issues: 151-2000 lbs	\$	36.91 per line
Band 4 Issues: >2000 lbs	\$	36.91 plus \$.0104 per lb over 2000 lbs.
*Actual Transportation		

*Estimated Total Second Destination Transportation (\$ in millions)

Army	18.600
Navy	17.281
Marine Corps	0.360
Air Force	12.604 +Air Express (\$9.043m)
DLA	84.394

All FY 2003 Net Landed Costs are estimated by DLA to be 5 percent less than FY 2002.

Working Capital Fund Civilian Equivalents

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
O-9	162,467	153,120	165,741	171,045
O-8	154,156	153,120	165,741	171,045
O-7	140,374	148,991	155,203	160,169
O-6	113,580	120,597	125,630	129,650
O-5	96,560	102,520	106,811	110,229
O-4	81,712	86,757	90,385	93,277
O-3	68,716	72,959	76,002	78,434
O-2	57,335	60,871	63,420	65,449
O-1	47,386	50,315	52,424	54,102
W-5	68,716	72,959	76,002	78,434
W-4	68,716	72,959	76,002	78,434
W-3	57,335	60,871	63,420	65,449
W-2	47,386	50,315	52,424	54,102
W-1	47,386	50,315	52,424	54,102
E-9	42,903	45,548	47,451	48,969
E-8	38,735	41,125	42,853	44,225
E-7	34,857	37,011	38,552	39,786
E-6	31,275	33,205	34,600	35,707
E-5	31,275	33,205	34,600	35,707
E-4	27,954	29,679	30,917	31,906
E-3	24,899	26,437	27,556	28,438
E-2	22,092	23,453	24,438	25,220
E-1	20,293	21,546	22,448	23,167

The above reflects previously budgeted values for FY 2000 and FY 2001. The FY 2002/2003 budget year data incorporates revised actual data with budgeted pay inflation.

The FY 2001 and subsequent year columns reflect the effects of pay compression and the upper limit of the civilian pay scale, burdened with overhead. The equivalent pay for grades O-8 and O-9 is limited.